IN THE HIGH COURT OF JUDICATURE AT BOMBAY

CIVIL APPELLATE JURISDICTION

WRIT PETITION NO. 3195 OF 2005

Shri. Nanasaheb Shankarrao Gaikwad ... Petitioner

Versus

The Citizen Co-op. Bank Ltd.
and Ors. ... Respondents

Mr. A.S. Desai for Petitioner.

Mr. P.S. Dani for R. No. 1.

Mr. C.R. Sonawane, A.G.P. for R. Nos. 3 and 5.

CORAM : F.I. REBELLO &
DR.D.Y.CHANDRACHUD,JJ.
DATED : JANUARY 17, 2006

P.C.

. The Petition is by the Members and depositors of Respondent No. 1. It is their contention that the directives issued by Reserve Bank of India by communication dated 15.2.2005 and communicated by letter dated 18.2.2005 is based on no material and is an arbitrary exercise of powers by the R.B.I. In these circumstances, they pray for setting aside the said order. The R.B.I. has not put any appearance nor filed any affidavit. The affidavit has been filed by Shri. Anand Ashok Katke, The

Assistant Registrar of Cooperative Societies, Pune who has been appointed as Administrator of Respondent No. 1. It is pointed out therein that there was large scale fraud to the tune Rs. 5.72 Crores and due to various other irregularities, R.B.I. after conducting inspection had sent requisition under Section 110A of the M.C.S. Act to Respondent No. 3 who in turn has issued the order for supersession of the Committee of Respondent No. 1 and appointed Respondent No. 4 as Administrator on 28.5.2003. It is then pointed out that after the appointment of administrator various steps have been taken by him to improve the financial position and recovery position of the Bank. It is not necessary to advert to the various steps taken by the administrator as set out in the said affidavit. It is also set out that inspite of the progress made by the bank on various fronts, the R.B.I. on 18.2.2005 has issued directive under Section 35A of Banking Regulation Act on the ground of protecting interest of the depositors. It is pointed out that these directive have caused hardship to the depositors and seriously crippled the business of the Bank and resulted in large

scale erosion of the goodwill of the Bank. The Petitioners are running big business accounts and fixed deposits accounts with the Bank and their own business has also received a set back. It is also pointed out that the Annual General Body Meeting has unanimously passed a resolution for merger of Respondent No. 1 Bank with a financially sound cooperative Bank. Pursuant to that, two in principle proposals from the Banks have been received which were being considered.

. Thus from the averments, the only contention urged by the Petitioners is that there was no material to pass the directives. From the record we find that R.B.I. had first intervened by issuing requisition under Section 110A of the M.C.S. Act and thereafter inspite of administrator being appointed, directive under Section 35A was issued. From the affidavit of the Administrator, it will be clear that the inspection had been carried out and subsequent to inspection that the directives have been issued. Once R.B.I. issues directions, they are binding on the respondent and are for public interest to protect the

shareholders, depositors and others. If according to Petitioner, the position of the Bank is improved, it is always open to the Petitioner to move R.B.I. for cancellation or removal of the conditions imposed. In these circumstances, if the application is made by the Petitioners, R.B.I. within one month from the receipt of such application, to consider the same and after getting comments from the Administrator to take steps in law which they are entitled to. With above observations, we find this not to be a fit case to interfere in the exercise of our extra ordinary jurisdiction. Hence, Petition rejected.

(F.I. REBELLO,J.)

(DR. D.Y. CHANDRACHUD,J.)